

JAN 22 2002 00:15 FR

**RISK  
STRATEGIES**  
C O M P A N Y

January 17, 2002

Mr. Matt Powers  
American International Group  
99 High Street  
Boston, MA

Re: Integrated Health Services 2000-2002  
General Professional Liability Policy

Dear Matt,

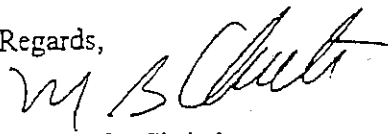
Both Jennie Wu of Lockton Insurance Brokers and I have had several conversations with various underwriters at AIG regarding the 1/1/2000 to 1/1/2002 General/Professional Liability policy for Integrated Health Services. In addition, Lockton has sent numerous memos/e-mails relating to the same policy. The primary issue involves the discrepancies between the policy contract and the original proposal from AIG. The policy contains many inconsistencies that have never been addressed by AIG despite the numerous requests, particularly the claims-made vs. occurrence language. The attached 4/12/2000 memo from Jennie Wu to Jeff Meserve is self-explanatory. To date, none of the changes have been made.

In addition to the correspondence from Lockton, I have enclosed a copy of AIG's binder for the 1/1/99 to 1/1/2000 policy. This policy was clearly quoted, bound and issued on an occurrence basis. I have also included Jeff Meserve's quote letter for the 1/1/2000-2002 policy. The letter clearly states that the policy is a renewal of the 1999 policy with forms, terms and conditions as expiring. The 1999 policy was an occurrence form; the 2000-2002 was quoted and bound on an occurrence basis. There was never a mention of claims-made until we received the policy in April 2000.

Matt, I understand the sensitivities regarding this policy, however, the original proposal is clear in its intent. The policy form, terms and conditions must reflect that. This situation has lingered for far too long. Please correct the policy as requested in April 2000.

Thank you for your help.

Regards,

  
Michael B. Christian

Enclosure  
Cc: J. Wu

NU-U/W 01145

GSMC 001140